S. HRG. 99-909

POSTAL RATE COMMISSION STUDY OF PREFERRED MAIL

JOINT HEARING

BEFORE THE

SUBCOMMITTEE ON CIVIL SERVICE, POST OFFICE, AND GENERAL SERVICES

OF THE

COMMITTEE ON GOVERNMENTAL AFFAIRS
UNITED STATES SENATE

AND THE

COMMITTEE ON POST OFFICE AND CIVIL SERVICE
HOUSE OF REPRESENTATIVES

NINETY-NINTH CONGRESS

SECOND SESSION

JUNE 18, 1986
Post Office and Civil Service Committee Serial No. 99-81)

Printed for the use of the Committee on Governmental Affairs and the Committee on Post Office and Civil Service

U.S. GOVERNMENT PRINTING OFFICE

64-729 O WASHINGTON : 1986

For sale by the Superintendent of Documents, Congressional Sales Office
U.S. Government Printing Office, Washington, DC 20402

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POSTAL RATE COMMISSION STUDY OF PREFERRED MAIL

WEDNESDAY, JUNE 18, 1986

U.S. SENATE, SUBCOMMITTEE ON CIVIL SERVICE, POST OFFICE, AND GENERAL SERVICES, COMMITTEE ON GOVERNMENTAL AFFAIRS, AND HOUSE COMMITTEE ON POST OFFICE AND CIVIL SERVICE,

Washington, DC.

The committees met, pursuant to notice, at 10:10 a.m., in room SD-342, Dirksen Senate Office Building, Hon. William D. Ford (chairman of the House committee) presiding.

Present: Senator Stevens.

Also present: Representatives Ford, Dymally, Taylor, and Gilman.

OPENING STATEMENT OF CHAIRMAN FORD

Chairman FORD. Good morning. Today, we meet in an unusual, if not extraordinary, joint session between our House and Senate committees to hear the report of the Postal Rate Commission that was requested of them as part of the Omnibus Budget Reconciliation Act of 1985.

At the outset, I would like to congratulate Chairman Steiger and her fellow commissioners and the Commission staff for an outstanding effort, timely done, and really beyond the call of duty.

Everybody is waiting in this town, as you know, and across the country to hear exactly what you have to say, Janet.

I have had a chance to glance over the report this morning, and I can assure you that I will spend the whole summer looking at the massive appendixes that are attached to it. I can't wait to take them to the lake with me. [Laughter.]

I think the Commission has produced a document that will be of value to the Congress, not just today, but for some time to come. It is my sincere hope that the Commission and the Postal Service will continue to work together on the project that really is the base of this report, data collection and refinement, and report to us all of related developments disclosed by that data.

I want not only to congratulate the Commission, but to thank them, because here in the House and Senate we understand that we gave you a difficult and volatile assignment. If you had to run for reelection, we wouldn't have asked you to do it.

The Commission has brought forth a product which by its very nature is bound to be controversial. I want to compliment you for the fact that you did this difficult job in a very proficient way.

Mr. Chairman, if I might, on a personal note, the Chairman of the Commission is a long-time friend. I have always been concerned about her selection of political parties, but other than that, she is a very fine person.

I had faith and confidence that if we asked you to do something like this, you would crack the whip, coax, and do whatever had to be done to get it done.

Janet, while I am very pleased with what you have come up with, not necessarily the content, but the product itself, I am not surprised that you got the job done. I consider it a real honor to be here with you this morning.

Senator Stevens.

Senator STEVENS. Thank you, Mr. Chairman. I am putting my opening statement in the record, it has been distributed, if that is agreeable to you.

OPENING STATEMENT OF SENATOR STEVENS

Senator STEVENS. I join you in congratulating Commissioner Steiger and the other commissioners for responding to our request. They responded in record time.

It will take some time to study and review the Postal Rate Commission study and review, we hope that we will have some comments from the affected entities. I am sure we will before too long.

I want to say that I am happy to see you here, Madam Chairman. We look forward to receiving your renomination soon. I am hopeful that the White House will send your name up so there will be no question about the leadership of the Commission in the years ahead.

This subject is not going to go away, and we might as well get ready for the fact that we have to make the decisions that are outlined in your report.

I am grateful to my good friend from the other side of the Capitol for joining us today, and having a joint hearing so there could be no question in anyone's mind that we are looking at this subject at the same time and together.

Whether we come out together is another question, but we generally have a way of doing that. It is easy, you just have to do it, you know, the Ford way, and you can come out together every time. [Laughter.]

But I am pleased to see that we are starting off together. If the Ford model is the right model for this problem, why, I would be happy to work with it, Mr. Chairman, but we will have to wait and see.

I do think that this is a great job, and most people did not expect you to get this done in this period of time. So you have done everyone involved a great service, and I am hopeful that the result of these hearings will be that we will be able to put some parameters around the subject.

I appreciate your courtesy, Mr. Chairman, if the other members have comments.

[Senator Steven's prepared statement follows:]

PREPARED STATEMENT OF SENATOR STEVENS

This is a joint heaing of the Subcommittee on Civil Service, Post Office, and General Services of the Senate Governmental Affairs Committee and the House Post Office and Civil Service Committee. I am indebted to the Chairman of the House Committee and my good friend, Bill Ford, for his cooperation on this morning's endeavor.

We are here to receive the report and recommendations of the Postal Rate Commission on the use of Revenue Forgone appropriations by preferred rate mailers. This study was conducted as a result of legislation contained in the Consolidated Omnibus Budget Reconciliation Act of 1985. To help us shape a response, we needed a body of knowledgeable but impartial individuals to lay the groundwork and help us focus our effort. The Postal Rate Commission fit that description exactly.

I want to commend the Postal Rate Commission and its Chairman, Janet Steiger, for the work they have done. When we initially set a June completion deadline for this report, a great many knowledgeable people told me it simply could not be done in so short a time. The task we had outlined would require at least a year, perhaps 18 months, to complete, so I was told. Madam Chairman, I know that you, other Commissioners, and your staff have put in a great deal of extra hours to complete this report on time and for that we are indebted.

We knew when we handed you this task that it was not an easy one. Not only was it a complicated and far-reaching assignment, it was a controversial one. In fact, someone told me we had given you the "hot potato" of the year. Whenever anyone begins to look over the way over 300,000 nonprofit mailing permit holders use their permits, it is going to be controversial. Each group, I am sure, believes they are utilizing their permit and thus the taxpayers money in the best mannr and with the loftiest goals in mind.

We in Congress, and indeed the nation, are faced with a tremendous budget problem. We must move steadily toward a balanced budget. The preferred rate mailers have not been required to make the same sacrifices other Federally-funded programs have made over the past four years. Only this year have they had to significantly tighten their belts in an effort to reduce the budget deficit. This budget problem will not go away quickly. Because of that fact, we must look at every existing expenditure and fund only those programs which provide the most direct services to this nation as a whole.

We need to look closely at subsidized mailing to determine (1) if we can really afford to continue this subsidy in light of our need to balance the budget, (2) whether the subsidized mailer is fair to the competing private sector mailer, (3) if we need to focus the subsidy on those organizations who provide direct health and welfare services to the most needy segment of our nation, and (4) whether those who are serving their own self interests should be allowed to continue receiving this Federally-supported reduced rate.

We look forward to your report.

Chairman FORD. Thank you. I hasten to say that Ted usually says something like that when we meet, and then, when I leave the meeting, I find that my pockets have been turned inside out.

He is gracious, as always, and one of the toughest negotiators I have ever had to come up against.

Perhaps that is the reason that I have been so delightfully reasonable with you, Senator, in settling little things like the pension bill we just wrote, because I know it doesn't really pay to take him on and try to win by being stubborn.

I have the highest respect for the relationship that has developed between us, and I would like to amplify what the chairman said.

I hope the fact that we are having this unusual joint hearing will tell people that, whether he and I will agree on everything as the process goes forward or not, we are working together.

I hope people will bear that in mind. No one is going to get very far, for example, by trying to come to me in order to run around Ted Stevens, and I have every confidence it works the other way, too.

With that, I would like to recognize Mrs. Steiger, the Chairman of the Commission.

TESTIMONY OF JANET STEIGER, CHAIRMAN, POSTAL RATE COMMISSION, ACCOMPANIED BY HENRY R. FOLSOM, VICE CHAIRMAN, JOHN W. CRUTCHER, COMMISSIONER, BONNIE GUITON, COMMISSIONER, AND PATTI BIRGE TYSON, COMMISSIONER

Ms. STEIGER. Thank you, Chairman Ford, and Senator Stevens.

I am struck by the fact that I think the two chairmen, who were able to revamp the retirement system of the Federal Government, won't have any problem settling the minor matters we bring to you today.

Who picks whose pockets, I don't know, but you seem to get the job done.

I do have some prepared remarks this morning, perhaps a little longer than I usually run, because there hasn't been time to analyze this report, obviously. We got it from the printer, I think, late yesterday.

I would like to run over with you what the basic gist of this report is.

It is a pleasure to appear at this joint hearing to present to the committees the Postal Rate Commission Report on the Preferred Rate Mail Study.

First, a request from Chairman Ford and Senator Stevens, and then the Consolidated Omnibus Budget and Reconciliation Act of 1985, outlined our study program. We were asked to have it done by mid-June to accommodate the fiscal year 1987 budget process. We are happy that we were able to meet that deadline.

I would like to summarize briefly the conclusions of the study. We had three main areas to investigate:

Possibilities for reducing revenue foregone appropriations by cutting down the availability of preferred rates for commercialized or advertising uses;

Usage of, need for, and possible limitations on the provisions which give a subsidized rate to second-class periodicals circulated in the county of original entry; and

Ways of recalculating the revenue foregone appropriation.

The theme of the study is thus the revenue foregone subsidy, so I will start, as the report does, with the last topic.

We had three concrete alternatives presented in our hearings. All of them called for discarding the present system, whereby the unit preferred rate is subtracted from the unit regular rate, the difference is multiplied by the volume, and the resulting revenue foregone bill presented to Congress.

We concluded that this system overstates the needed subsidy. The alternative we recommend calculates revenue foregone by applying the same proportionate contribution to the institutional, that is, roughly, "overhead," costs of the Postal Service that is made by regular rate pieces. Doing this would reduce the appropriation by some $265 million a year.

There were other possibilities, which we describe in the report. They would have reduced the appropriation by a larger amount,

but we concluded that they had seriously arbitrary aspects and could not recommend either one favorably.

Let me recapitulate the numbers at this point. The budget request for fiscal year 1987 would, according to the Postal Service budget submission, maintain preferred rates not at the levels currently in effect, but at a lower level, step 16. It totals $743.5 million.

The recomputation method we recommend would save $265.5 million. But if preferred rates stayed at their present level, which is somewhat above attributable costs, $152.6 million of what remains would actually be paid by the nonprofit mailers.

Of the $265.5 million saved from the Treasury, therefore, only $112.9 million would be an actual revenue shortfall for the Service. The bottom line would be $47 million for Congress to pay instead of $743.5 million.

But we didn't end the analysis with reduction through recomputation. The next part of the report recommends a way of eliminating the revenue forgone appropriation entirely, except for the small amount needed for free mail for the blind and free voting rights mail.

Doing this would not harm the eligible nonprofit mailers unduly, if at the same time you amended the ratemaking statute to provide separate subclasses for them. If that were done, the PRC would be instructed, when recommending rates, to take into consideration the public benefits these organizations confer. Of course, we recommend that change as well.

This subclass option would mean that preferred rate mailers would regularly pay some share of institutional costs, at least on a unit basis. This happens now because in March, the governors raised the rate above attributable cost levels, to make up a previous appropriations shortfall.

The result of adopting this plan would be that mail users would pay just about the whole cost of the Postal Service. How this would be divided between the mailers currently entitled to preferred rates and the regular rate mailers would depend on the cost coverages assigned in the next general rate case, when this recommendation should be instituted.

The next main part of the report deals with restricting eligibility for advertising or commercialized uses of the nonprofit rates. At present, a nonprofit organization qualifies for the preferred rates by bringing itself into one or more generic categories: Religious, educational, scientific, and so on. Once qualified, all its second- or third-class mail is eligible for the lower rates.

The availability of subsidized rates for what may turn out to be regular, commercial advertising has caused complaints that the subsidy was being misapplied, and that nonprofits were enabled to compete unfairly with business sector enterprises. In some cases, a nonprofit might advertise for sale the same product for service as a for-profit firm, but do so at less cost for postage.

We also heard testimony challenging the propriety of nonprofit publications competing for advertising when their preferred rates give them a cost advantage.

I may add that the eligibility restrictions I will describe next are perfectly consistent with our recommendation to terminate the rev-

enue forgone subsidy and treat nonprofit mail as normal, though still favored, subclasses.

There would still be a price advantage for this mail, though a smaller one. Restrictions on uses that can compete unfairly with unprivileged business mailers are still in order.

We found that 45 percent of nonprofit second class has more than a minimal advertising content. Our recommendation for second class is simply to charge the same rate for the advertising portion of all periodicals, regular rate and nonprofit.

There is no reason, we think, to subsidize the selling of paid advertising in nonprofit periodicals. It, unlike the editorial portion of these publications, is not an activity that brings about any of the beneficent purposes for which the subsidy was created.

Third-class nonprofit mail is where the giants live, in terms of nonprofit volume and dollars of subsidy. Figure 3 in the report, following page 12, shows that it gets 78 percent of the appropriations, over half a billion dollars in fiscal year 1987.

Our quantitative study showed that about 28 percent of this mail contained some kind of advertising. Most of the rest of the mail asked for donations, urged the addressee to join an organization, or conveyed news and information.

Of course, we faced the problem that some of the advertising mail directly assists the charitable or other service purpose of the nonprofit. An adult continuing education association, for instance, advertises its courses by sending out brochures to the community. A rehabilitation clinic might sell handicraft items made by its patients as part of their recovery program.

Our solution is a general principle: Advertising mail should not receive any subsidy if the thing advertised is not substantially related, other than by just raising funds, to the purpose of the nonprofit organization.

In the two examples I just gave, that substantial relationship is present.

On the other hand, if a college were to promote a vacation tour as a fundraising device, we believe the advertisements should pay regular, commercial third-class rates.

This general principle is one nonprofit managers will be familiar with. It is based on the unrelated business income tax which Congress enacted in 1950 to deal with fiscal and fair competition problems very similar to those we face now.

In our quantitative study, we found that about 14 percent of the current third-class nonprofit mailstream—just half the volume containing advertising of any kind—would be disqualified under this test. Fourteen percent equates to about $80 million in fiscal year 1987 subsidy.

But I caution you, that is not a firm budget figure. If our recommended rule went into effect, some disqualified advertising volume might reappear as solicitations of contributions, or even as permissible advertising.

It does, however, give an indication of the amount of subsidy now supporting unrelated advertising.

The remaining preferred classification is library rate mail. Our main finding here is that well over half the subsidy goes to publish-

ers and distributors for the books and other qualifying material they mail to libraries and other eligible institutions.

The original purpose of this rate was to facilitate circulation of library materials among institutions and to individuals.

The eligibility of publishers dates from a 1976 amendment. While the saving is very often passed on to the purchaser, we believe that is at best an indirect aid to libraries and other eligible recipients.

Our recommendation is to end commercial eligibility for this subsidized rate.

That ends the list of recommendations. We discuss, without making any policy suggestions, some problems in the definition of eligible user groups, particularly the very broad definition of educational.

It is very difficult to define this term successfully without including or excluding too much and without creating the potential for arbitrary or inconsistent enforcement.

At present, a lot of nonprofit mail associated with activities not in the traditional mold of student-teacher education is entered under the educational rubric. We do suggest that a hard look be taken at the problem.

In fact, the current definitional rules may be subject to legal challenge right now. They are in most respects a word-for-word copy of the Internal Revenue Service rules defining educational for tax exemption purposes. Those rules were held unconstitutional 6 years ago by the Court of Appeals for the District of Columbia Circuit.

The judges found them so vague as to offer no guidance to nonprofits on whether they would be deemed educational or not, and no protection against inconsistent or arbitrary enforcement.

I think you will agree that a definition which the court says is void for vagueness is not much of a definition. But the problem is not just describing currently eligible mailers in language precise enough to satisfy the court. It is whether all the entities that have become eligible under the existing rules are entities you want to subsidize.

They include opinionmaking organizations mailing unsolicited informational fliers, promoters of seminars, and widely circulated magazines carrying commercial advertising, as well as more traditional teaching institutions.

Finally, you asked us to report on the status of in-county second-class mail and the effects of possible restrictions on eligibility for this type of subsidy. You have already somewhat contracted the use of this preferred category.

One interesting finding from our hearings and statistical survey is that while the in-county rate is often called a subsidy for rural publications, many have come to regard it as aiding local news coverage, regardless of the type of locality.

The description rural is too limited for current users of this category. The bulk of it is, in fact, entered in post offices of large metropolitan centers with over 1 million population.

A good deal of in-county mail is also eligible for nonprofit subsidies. Thirty-four percent of in-county volume is contributed by nonprofit periodicals, and more than half of all nonprofit publications make some use of the in-county rate.

By restricting in-county eligibility to publications with more than half their circulation in the county of publication, or a total paid circulation of 10,000, only about 12 percent of the volume drops out, saving $19 million.

If an absolute cap of 20,000 copies were combined with this restriction, another 18 percent of the volume, and $14 million of subsidy, would be eliminated.

Briefly, let me highlight a few other interesting aspects of the preferred rate mailstream which emerged from our studies. I mentioned earlier that the pie chart after page 12 shows third class absorbing $580 million in fiscal year 1987, or 78 percent of the total.

Second class is the next biggest beneficiary with its $110 million share about evenly divided between in-county and another 15 percent of the total. Library rate fourth-class mail is smaller, with $22 million, or 3 percent.

Two very small categories, second-class classroom periodicals and the advertising portion of the science of agriculture publications, neither of which we were asked to study, add up to $2.5 million and three-tenths of 1 percent of the subsidy.

Finally, free mail for the blind and free voting rights mail, at $28.5 million, account for the remaining 4 percent.

So, of the $743 million total, our study covers $712 million, or 96 percent.

Appendixes D, E, and F of the report give detailed figures for third, second and library rate, respectively.

Let's take a look at who uses third class, and for what. Details are found in the 20 tables printed at the end of appendix D.

As I said, 72 percent of the mail contains no advertising. Scientific, agricultural, and veterans' organizations mail is the most likely to contain ads, 60, 64, and 36 percent, respectively, while religious entities' mail has relatively little, 9 percent.

Educational mail runs about 24 percent advertising. About 12 percent of all nonprofit third-class mail is pure advertising, about 16 percent has some other type of content, as well.

Of the advertising we would recommend making ineligible for preferred rate treatment, labor organizations join scientific, veterans, and agricultural entities as heavy mailers. All have such ads in from 35 to 60 percent of their mail. Philanthropic and fraternal bodies use 15 to 16 percent of their mail for this type of advertising, education organizations about 7 percent, and religious entities only 2 percent.

In nonprofit second class, both in- and out-of-county, detailed in appendix E, we find total volume greatest in the religious category. We found a projected 1.051 billion copies per year.

Next come education, 771 million, and labor, 671 million. Some quite large publications are found in the nonprofit sector: 24 percent of the religious, 40 percent of the educational, 30 percent of the scientific, and 34 percent of labor publications send out over 10 million pieces a year.

I gave some highlights of in-county second class earlier. I also referred to publishers' use of library rate.

In that connection I would like to mention one particular problem we were not able to quantify. We have heard that this preferred rate has been used to send free sample copies of books to col-

lege teachers in the hope of having the book adopted for a course, basically an advertising use of the library rate. We were not able to estimate the prevalence of such mailings, since our data reflect only the name and address of sender and addressee, not the reason for the mailing.

But some 6.3 percent of the pieces were addressed to the attention of an individual, which could possibly indicate sample mailing.

That summarizes our report. It is the product of hearings in Washington and seven other cities. I have not counted up the number of witnesses, but they fill a list 15 pages long in appendix I.

We also received over 450 written comments after the hearings. Appendix C to the report contains a summary of what we heard from the witnesses about how they use the mails and what recommendations they would make to you.

This summary represents a unique collection of views from people quite different from our usual expert witnesses, though we found they had impressive expertise of their own, in devising and then in explaining to us the myriad programs they engage in for their communities.

It is enlightening to see both the sincerity and dedication and the practical operating savvy these charitable, religious, educational and other public service managers bring to their tasks. These members of the interested public contributed enormously to the study effort.

I would also like to pay tribute to the cooperation and help we received from the Postal Service, and especially PMG Casey, DPMG Jackie Strange, and our first-rate liaison, Scott Hamel, General Manager of the Customer and Field Support Divisions, Office of Rates and Classification.

Much of the data is in Postal Service archives in Washington or in the field. They got it for us, helped us analyze it, and fully carried out your injunction to aid and cooperate in the study.

Thanks are also due to my colleagues who crossed the country to conduct field hearings and brought back reams of information. They have done their usual superb job with this whole project.

Finally, our staff deserves thanks, including the Office of the Consumer Advocate, who normally appears before us as a party litigant, but who this time worked alongside other staff members.

That concludes my prepared statement, Mr. Chairman. We would be happy to try to answer any questions you have.

Senator STEVENS. Thank you very much.

Do any of the other members have any comments they would like to make at this time before we have questions?

I want to put in the record at this point the summary that you provided us of your report. I thought it was particularly good.

[The summary referred to follows:]

SUMMARY OF THE POSTAL RATE COMMISSION REPORT ON THE PREFERRED RATE MAIL STUDY

This Report contains the Postal Rate Commission's major findings and recommendations in the three areas prescribed for investigation by the Consolidated Omnibus Budget Reconciliation Act of 1985:

1. Reducing the postal revenue forgone appropriation by changing eligibility for nonprofit mail which advertises goods or services;

2. Analyzing who uses and benefits from the special rates for second-class mail (newspapers and magazines) delivered in the county in which it is entered, and the arguments for and against, and effects of, limiting access to this subsidized rate; and

3. Exploring the pros and cons of various possible ways of recalculating the revenue forgone appropriation, independently of any changes in eligibility for preferred rates.

As its inclusion in the Reconciliation Act indicates, this study has as a unifying theme the revenue forgone appropriation. Currently $716 million, it represents the present mechanism by which historically favored types of mail, and mail users, are publicly subsidized. Unlike the "public service" appropriation of past years, it does not fund Postal Service operating deficits. Its role is to allow the eligible mailers lower postage rates than would otherwise be available to them, by making up the resulting revenue shortfall from the Treasury.

We begin, therefore, with the issue most closely tied to the appropriation itself: how should its amount be determined?

In our hearings, three methods were proposed as improvements on the current practice. We agree with the proponents of these alternatives that the present system results in overstating revenue forgone, and so inflates the amount Congress is asked to appropriate. We analyze the alternatives, and explain our preference for one which measures the revenue forgone on each piece by applying the same proportionate contribution to the institutional (roughly speaking, "overhead") costs of the Postal Service that is made by regular-rate pieces. This would reduce the appropriation by some $265.5 million annually, in the absence of any other reforms.

Continuing, however, we recommend that the revenue forgone appropriation should be eliminated (except for the relatively small amount supporting free mail for the blind, and some free categories connected with voting). The effect of this proposal on rates charged to preferred-rate users would be greatly mitigated by Congress amending the ratemaking statute, which we likewise recommend, so that when recommending rates the Commission would take into account the public benefit of organizations eligible to use these subclasses. Virtually all costs of the Postal Service could then be recovered from mail users rather than taxpayers, and revenue forgone could be substantially eliminated as a Federal government expenditure.

This change, of course, goes somewhat beyond mere recalculation of the appropriation. All the same, we recommend it for serious, favorable consideration by the Congress.

The next main part of the Report deals with restricting eligibility for advertising or commercialized uses of nonprofit-rate mail. We have found that 45 percent of nonprofit second-class volume contains more than a minimal advertising content. We see no reason for public subsidization of nonprofit publishers' advertising, which is in competition with commercial publishers' efforts. Therefore, we recommend that the subsidy be continued for the editorial portion of the nonprofit publication only and that the advertising portion pay the regular rate.

We found that in nonprofit third-class mail—much the biggest category in terms of usage and public subsidy—about 28 percent of the mail contains advertising of some kind.

We developed a general principle for judging whether advertising mail should continue to receive any subsidy: whether the activity or thing advertised is substantially related, otherwise than just by raising funds, to the purpose of the nonprofit organization. Thus, for instance, a Native American welfare organization selling handmade craft articles produced in furtherance of its programs could advertise them at the preferred rate; a college promoting a vacation tour as a fundraising device would use the regular rate. The general principle is based on the theory of the Unrelated Business Income Tax, enacted in 1950 to deal with the same kind of fiscal and fair-competition problems we are facing in the postal area today. We go on to show how practical operating rules could be developed from it, so that postal employees need not try to apply broad abstractions to the everyday job of accepting and rating bulk mail. In two cases singled out for special mention by Congress—the promotion of travel and insurance—we find it most appropriate to require all such advertising to go at commercial postage rates. Products and services in general would be judged by whether they were actually made or rendered by the organization's members or beneficiary group. Our quantitative study shows that half of all third-class nonprofit advertising would be eliminated by adopting these recommendations. This is 14 percent of current volume.

Fourth-class library rate mail comprises books, recordings, and similar matter sent by libraries, schools and other qualifying institutions among themselves, or by publishers to qualified institutional recipients. Our survey indicates that a very large proportion—some 44 percent of the pieces, and about 60 percent of the

weight—of library rate mail is sent by publishers. The principles adopted in the Report for evaluating subsidy in terms of relations to the nonprofit's purposes lead us to recommend that this eligibility, added to the law in 1976, be terminated. It has at best an indirect—and purely monetary—connection with the accomplishment of educational or other subsidizable ends.

The final portion of our Report deals with the current state of within-county second-class mail. Defined by geography rather than nonprofit organization, this rate preference has already been somewhat restricted by the Reconciliation Act. Here, Congress asked us to survey the situation rather than make recommendations of our own for changing it. We found, in general, that while legislators have consistently referred to the in-county subsidy as one for rural publishers, many of the witnesses at our field hearings to equate it with local news coverage rather than strictly rural publications. Our survey also indicates that the description "rural" is too limited for today's in-county users: the bulk of current in-county mail pieces are entered at central city post offices of large (population over a million) metropolitan areas.

In addition, a considerable portion of the second-class in-county subsidy goes to mail that is already preference-eligible: nonprofit publications contribute 34 percent of the in-county mail volume. In fact, over half of all nonprofit publications use the in-county rate to some extent.

Restricting eligibility for the in-county subsidy to publications with more than half of their total paid circulation in the county of publication eliminates only 12 percent of previously-eligible volume and reduces the in-county subsidy by about $9 million. If the in-county distribution test is coupled with a further restriction of eligibility to not more than 20,000 copies per issue, another 18 percent of in-county volume is eliminated and an additional $14 million is saved.

In preparing this Report, the Commission held public hearings in Washington and seven other cities, conducted quantitative studies of second- and third-class nonprofit mail usage and of the sender/addressee patern of library rate mail, and commissioned a study of the history of preferred-rate categories. Throughout, we enjoyed the helpful cooperation of the United States Postal Service, mail user groups, participants in our hearings and our quantitative studies, and other governmental agencies. Much that is of value in this study could never have been accomplished without their help.

Senator STEVENS. Let me read this just to make sure we understand the impact of it.

It says, continuing, "However, we recommend that the revenue foregone appropriation should be eliminated, except for the relatively small amount supporting free mail for the blind and some free categories connected with voting."

"The effect of this proposal on rates charged preferred rate users would be greatly mitigated by Congress amending the ratemaking statute which we likewise recommend so that when recommending rates, the Commission would take into account the public benefit of organizations eligible to use these subclasses."

"Virtually all the costs of the Postal Service could then be recovered from mail users, rather than the taxpayers, and revenue foregone could be substantially eliminated as a Federal Government expenditure."

I think you would agree that is the guts of your recommendation here, today, is that right?

Ms. STEIGER. Yes, Mr. Chairman, coupled with restrictions on eligibility and the uses of that mail. It seems very important to us if we are going to switch to a subclass that one also rigidly look at the availability of this subclass to mailers.

Senator STEVENS. The chairman has had to go over to vote. That is one of the problems about having a joint meeting. At least one has to go a long way.

This implies that the blind and the free categories connected with voting would remain in a revenue foregone category, right?

Ms. STEIGER. That is correct.

Senator STEVENS. That would be a very small percentage of the current level.

Ms. STEIGER. That is correct.

Senator STEVENS. Did you propose any restrictions to make certain that the eligibility for those two categories would be maintained so there wouldn't be any expansion in later years as to ballooning into advertising and other things?

Ms. STEIGER. We found no reason to suspect that that was a problem. It certainly is not at the present time, and it would appear that the restrictions are adequate as they stand.

No one even mentioned any problem with this material. The definition is rather tight.

Senator STEVENS. I don't think they are too prevalent, but I think there have been examples of entities mailing for the blind having included advertising.

Didn't that come to your attention, also?

Ms. STEIGER. The advertising that we saw was of the type we would refer to as related in the sense of inclusion, for example, of small plastic sample magnifying glass to indicate to the newly blind or those newly identified——

Senator STEVENS. Clearly, we are not talking about that kind. We are talking about advertising not related to the purposes for which the entity has the category.

Ms. STEIGER. We did not see any in this study. Beyond that I cannot say it does not exist. Obviously other uses are always possible. We did not see it in the study.

In any event, if our recommendations were passed that would be gone, anyway.

Senator STEVENS. One of the areas that seems to be expanding as far as information available to us is that in the advocacy area. And it is my understanding of your statement that that problem is coming into view because of the definition of educational in the existing rules, is that right?

Ms. STEIGER. That is our belief. We did not quantify the amount of what I will call opinion mail, advocacy mail. It could be done with the data we now have. We didn't do it. We weren't asked to.

But we flagged this for the Congress because it is quite apparent that third-class, nonprofit is a very giant class and education is being used in the very broadest terms as a qualifier.

Senator STEVENS. In terms of eligibility, would you recommend that a determination of the entity be subject to eligibility requirements, or that the mailing by any entity be subject to eligibility requirements, or that the mailing by any entity be the thing that is judged?

Ms. STEIGER. We do know our clear limitations in the field of education. It is an awesome task to even define that term. We don't attempt to do so.

We would caution against, however, limitation by content. It seems to us very difficult to administer in an area like this. Probably redefining the term "educational" and we suggest that there have been historical attempts to do so in the past, would be the better way to go.

Senator STEVENS. Currently, you get a 501 C 3 determination by the IRS and you go down to the Postal Service and make application for a mailing permit and you get it and no one has any question from there on as to what is mailed under that permit, right?

There is, at the most, an opportunity for someone to protest this to the Postal Service, the Postal Service looks into it, and they have the problem of determining whether something went beyond the bounds of reasonableness.

Is that about the right summary of what goes on today?

Ms. STEIGER. That is about the way I would summarize it.

We found, for example, there has been a problem in the past with combined mailings of for-profit entities simply using a nonprofit's permit with their permission to sell an advertised product or service that has nothing to do with that entity that carries the nonprofit permit. And the Postal Service has great difficulty in enforcing sanctions against these combined mailings.

There are vagueness charges against the regulations which is a whole other problem. But we are told that, basically, when somebody says there is something, we will look at it. But it is very hard to find.

Senator STEVENS. What I am trying to find out is the point at which you would narrow down the eligibility.

Ms. STEIGER. Yes.

Senator STEVENS. Is it the determination of the entity in the first instance being entitled to the nonprofit mailing category, privilege?

Ms. STEIGER. I think that is what we would recommend looking at, yes.

Again, we are limited in our understanding of the educational world. But I would think about the definition of what is and is not educational, for example, limiting it to the more traditional teacher-pupil relationship, institution, or some form of that sort. There is no question there is a fair amount of opinion mail, unsolicited opinion mail, in the third-class.

Senator STEVENS. My example of the young lawyer that formed the 501 C 3 corporation and got the IRS to give it standing as a nonprofit entity, and then mailed out requests for contributions to support the objectives of the corporation which were to protect the environment. Then, having received the money back, hired a lawyer to represent the nonprofit entity, namely, himself—I think is probably the best example of this category of mail abuse that I know of.

How would you propose getting to that?

Ms. STEIGER. Again, I think probably qualify it under educational.

Senator STEVENS. Yes, that is right.

Ms. STEIGER. I would think the way to look at it is to review that very broad definition of education and see if a redefinition would limit it.

We heard testimony, and it is included in our report, from for-profit seminar producers complaining that people will simply set up a nonprofit organization, offer seminars. Since mailings are an expensive part of your cost in disseminating the news of your seminar, it is clear that the user of a nonprofit permit advertising seminar is, of course, given a leg up over his for-profit competitor.

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Senator STEVENS. After we put this provision in the bill and requested you all to make this study, I was inundated by visitors who said all you were really seeking was to shift the burden of revenue foregone to those that are already paying the bill for supporting the Postal Service. As you know, I had suggested that the Postal Service, being next to AT&T in gross income per year, ought to mandate some portion of its budget to community service.

I mean, if it were a private entity as some people would like to make it, it would be contributing all over the country to some sort of a community chest or to national nonprofit or charitable institutions of some kind, which it does not do.

The assertion was made that if the Postal Service followed my suggestion, the rate payers in effect would by paying more because of the charitable contribution portion of the budget of the Postal Service.

Who will be paying the bill under the recommendations that you have made here?

If you have the authority to, and Congress does give you a redefinition of educational and gives you the authority to make the changes that would be required so that you would eliminate all revenue foregone and shift the burden to the mail users, who would be paying the bill?

Ms. STEIGER. It would work in the same fashion that we have operated since the 1976 amendments, which instructed us in assigning burdens of institutional costs to second-class mail matter to take into account the cultural, scientific, social, educational value of this mail.

It means that the Commission considers those factors, these noncost factors of the act in setting the cost coverage. The same could be said of nonprofit mail as designated, eligible by the Congress.

It would mean, of course, that some of the institutional cost burden now paid by the Treasury would shift and be spread throughout other mail categories. It would also mean, however, that the nonprofits, themselves, would be paying a share of the institutional costs, which they do not now do.

Would it increase some of the burden on other mailers? In the sense that this 700 million, or recalculated, 400-some million, would, yes, be spread throughout the assignment of institutional costs. That is true.

Senator STEVENS. I yield to our chairman now that he has returned.

Ms. STEIGER. We would again hope that some of the reductions that are suggested as Vice Chairman Folsom says, are going to lower that burden. This is one of the reasons we say this is a combined job to be done.

Chairman FORD. Thank you.

Janet, you state in essence that the Postal Service has been overcharging the people through the Congress for revenue foregone. How long has this been going on?

Ms. STEIGER. Since postal reorganization, and before that, I don't know. But the method of simply adding the regular class markup onto the attributable costs of the whole class doesn't take into account the fact that, by the Postal Service's own records, nonprofit mail is less expensive. It has lower costs.

So when you add the regular rate markup to that, without taking into account the lower cost, there has been a little windfall there for some time over regular rate mails.

Chairman FORD. Isn't this in effect violating the rule about cross-subsidization? Doesn't this in effect reduce the overall rate demands for the other classes of mail?

Ms. STEIGER. Well, I think it certainly means the Congress has been paying a bigger bill than it should have been paying. I don't know that it is a cross-subsidy issue.

It just seems to us somewhat illogical to continue not to recognize the lower attributable costs in assigning proportional institutional cost coverage.

As I say, it is a fairly large piece of change, $260-some million.

Chairman FORD. Having said that now, you put the real question before us. Could the Commission now, without legislative intervention, apply what the Commission would believe to be a more reasonable or rational or honest system?

Ms. STEIGER. Lawyers will probably say no. They will say the statute says the Postal Service shall present to the Congress the computation of the subsidy. And I am sure they would interpret that as meaning they would need statutory direction.

I probably disagree with that, but in any event, I think you folks would probably have to speak to the way you want this done.

Chairman FORD. So while lawyers quibble about whether present law would permit it or not, as a practical matter, unless we were to legislate, it is not likely that the system will change?

Ms. STEIGER. I don't know what they would do if you told them to change without legislation, but my guess is that they would tell you they need legislative language.

Chairman FORD. You recommended that the preferred rates continue, but that the revenue forgone appropriation be eliminated. That is familiar to us, because it has been contained in administration budgets for some time.

Did the administration or OMB have any input into your study?

Ms. STEIGER. I think they are aware of it, as most everybody else is. And certainly, their position—our position differs from that of the administration.

The administration, as I understood it, last year simply said that the subsidy should be ended and that the regular rate payers should pay whatever subsidy there was.

We take a different route. We suggest a subclass approach where the nonprofit ratepayers would indeed pay a portion of the attributable costs. So it is different, and I think not a cross-subsidy in the sense that the other has been viewed.

But this is not the position taken, at least last year, by the administration.

Chairman FORD. Do you think that having shifted, in effect, the responsibility for paying the bill, that this will encourage Congress to expand the authorizations and use of the preferred classes?

Ms. STEIGER. I would hope the reverse would happen. Congress would be able to say, "The Postal Rate Commission is going to determine what the cost coverage is. Talk to them."

You will always be besieged, I think, and the history that Dr. Kielbowicz wrote for us indicates this is exactly how some others

feel, people are going to say they want to be excluded from those rate increases.

I don't think there is any magic formula to keep you from being besieged by people who are going to say, well, first, we couldn't possibly take that rate increase, whatever it might be. We must be excluded or must be added to a nonprofit category.

But as far as the ratemaking process, there is some isolation, some buffer, when an independent agency has to set those cost coverages.

Chairman FORD. Now, the preferred rate mailers would have their rates set by the Commission just as other mailers do.

That raises a question we raised before, and that is how do the small groups compete in this process against the giants like the Wall Street Journal and Newsweek and others?

Ms. STEIGER. I think, while I sympathize with that, rate proceedings are a complex matter, as you well know. We have had very effective pleadings from people not even represented by counsel.

In fact, a significant change in the second-class per piece regular rate was made in the last rate case. And the commission was convinced by very cogent testimony from one individual who simply appeared before us and said here is what you are doing, here are the facts, here is what you are going to do to lightweight high editorial content publications.

He didn't have fancy charts or anything else, but he had a point to make, he made it well, and the rate case carries his impact.

We listen and are extremely conscious of the small mailer. We are, after all, there to look after the interests of the general public. I don't fear their lack of representation, so to speak.

Chairman FORD. Finally, you have already commented on it, but how would you answer the argument made by the newspaper trade association that the in-county rate is primarily designed for dissemination of information in rural populations? That has been the historical justification for it.

Your study shows that only one percent of the volume is in what one would generally consider in your state and mine to be rural.

Ms. STEIGER. I would caution that one has to be very careful about that 1 percent. It appears on a chart called C 8.

The definitions on that chart are Census definitions, and the Census, as I know you are aware, has an extremely restricted definition of a nonmet area. It means an area with no concentration of 50,000 or more.

We are quite sure there are in other census categories, major satellite, other metropolitan areas, et cetera. There are what we have traditionally thought of as rural or small town areas. We don't have any break down between rural and urban, per se, in this chart. We would not want to say that we do.

The only thing we can say with certainty, I think, is that of all publications, 68 percent of the volume is entered in a central city post office. However, there could be substantially more than 1 percent that is rural because it could have rural areas mixed in some of the other categories.

Senator STEVENS. Would you yield on that one right there?

Chairman FORD. Yes.

Senator STEVENS. I am worried a little bit about that for two reasons. In the first place we find, and my State certainly is rural in the sense of being one-fifth the size of the United States and having less than 700,000 people, that in-county concept has a backlash, because the printing houses are in fact located in the metropolitan areas, although the distribution is certainly out of that county.

There is no question that the mailing takes place in Anchorage, although it may all be destined for the northwest part of Alaska where there are absolutely no major post offices.

I think the same thing happens in St. Louis, where you have the printing plant, and the newspapers for rural counties in Missouri or Kansas would come out of the one place.

Second, your 1 percent statistic is strange, because if it were true, we would have about 30 newspapers in the country distributing from those areas. And, yet, we have a substantial number of newspapers distributed on the in-county basis.

It means to me that there probably is something wrong with using that 1 percent statistic to make the determination of what is in-county.

Ms. STEIGER. I think the data are reliable when the categories are fully understood. As I have said, there is no question that there must be other rural volume. We do not propose to tell you that there is only 1 percent rural volume.

Somewhere in the other three categories there are no doubt additional rural. We did not make a rural-urban breakdown. We weren't asked to do so.

And we only indicate to you that there is a fairly heavy concentration of entry, and remember, you must enter it in the county that it is going to be distributed in, the metropolitan areas.

But we would not want to leave the impression that we have done rural-urban breakdowns. I think it could be done. We did not do so.

And I would not want anyone to say that we have said 1 percent volume is in rural counties, period.

Senator STEVENS. One other question?

Chairman FORD. Sure.

Senator STEVENS. Going back to your educational concept, I am disturbed that under the educational category we have now, let's say on the abortion issue, we have the proabortion and anti-abortion people all mailing at a nonprofit rate primarily to raise funds. They are not involved in education, they are involved in raising funds for their lobbying efforts.

Yet, they are coming in and each side is saying the other side is subsidized when as a matter of fact both sides of these national issues, whether it is busing or abortion or gun control or anything else, are subsidized under the nonprofit rate.

Why should those be considered educational if they, in fact, contain a request for contribution of funds?

Shouldn't that be the breaking point? If there is a request for a contribution, then it is not educational.

Ms. STEIGER. Well, there is the definition; as it now reads, anything that is disseminated that can be called beneficial educational material is allowed. That is a mighty broad category.

Senator STEVENS. But there is nothing in the definition now that pertains to whether or not there is a request for contributions?

Ms. STEIGER. No, sir.

Senator STEVENS. Did you consider that as being one of the tests?

Ms. STEIGER. We did not, because we first of all did not have quantified data on how much of this type of mail is in the mail stream. As I said, I think it could be found. We didn't do it.

And when we can't bring you anything we can quantify, we are a little——

Senator STEVENS. Why should the ratepayers subsidize either side, proabortion, antiabortion, progun control, antigun control, probusing, antibusing, why should they be subsidized in either raising funds or membership?

Ms. STEIGER. That is obviously a decision the college has to make. Colleges send out fund raising appeals all the time through the third-class mail stream. I just got three this morning. So, it goes on. It is not just the opinionmakers doing it.

Senator STEVENS. What about political?

Ms. STEIGER. The political is fascinating. We can only estimate that it is probably about 14 million of subsidy a year. Postal Service estimates are roughly 200 million copies in a nonelection year, maybe 300 in an election year. We don't propose we have current figures on that.

It is such a relatively small sample out of the billions of pieces in third-class nonprofit that it is hard to sample. We give that as estimates based not on what we have drawn so much, but on anecdotal sources. But that is about where it is.

Senator STEVENS. That again is a policy judgment, I am sure you will say.

But why should the ratepayers subsidize political mailings when, theoretically, under our law, corporate contributions to political activities is forbidden?

Isn't this a corporate contribution to a political activity the way it comes through now?

Ms. STEIGER. It, certainly, is a subsidy to the major political parties. There is no question about that. The two political parties.

I would note that that is a rather late entrant, having been added, as Chairman Ford and, I am sure, you remember, rather late in this game. And, certainly, well after the 1951 creation of the third-class nonprofit subclass.

Like all others that have sort of entered over time, this is a classic group.

Senator STEVENS. Thank you, very much, Mr. Chairman.

Chairman FORD. The gentleman from California.

Representative DYMALLY. The chairman raised the question of political parties. One can say in support of that effort that they are representing large constituencies.

But in one instance a nonprofit group is actually supporting a candidate and using tax exempt status and subsidy to raise money for one candidate, which to me is a totally separate subject and perhaps an abuse of the subsidy and IRS taxes.

Did you deal with the question of a single candidate raising money through a nonprofit with the subsidy?

Ms. STEIGER. We did not, Congressman Dymally. That was not brought to our attention.

And, in fact, we found it very difficult to gather any information on political mailings or political use of the nonprofit rate. We had a very low response from the identified political entities that we asked to respond to our third class study. To us, it is sort of a mystery area, other than the broad outline of numbers that I gave you.

Representative DYMALLY. Mr. Folsom, do you wish to respond to that?

Mr. FOLSOM. I thought I had a point, but I was trying to get a confirmation of it. But I did not. Thank you.

Representative DYMALLY. Thank you, Mr. Folsom.

Thank you, Mr. Chairman.

Chairman FORD. Janet, you say in the statement "We develop a general principle for studying whether advertising mails should continue to receive any subsidy, whether the activity or thing advertised is substantially related otherwise than just by raising funds."

The questions of Senator Stevens and Mr. Dymally suddenly threw cold water on my enthusiasm for that kind of a test, because it seems to me that the single issue groups who are advancing a cause would meet the test, wouldn't they?

Whether it was a balanced budget amendment to the Constitution or no taxes or equal rights for women or whatever, that is the purpose that they would form for.

They are formed for one particular issue. They raise money and they propagandize. I don't select anybody out for that. All of us have been treated to the fact, as Mr. Dymally says, that groups that are not political are very free in using the subsidized mail to kick the devil out of a Member of Congress, the President, or anybody else that they think is in the way of their stated objective, their route to the true hereafter.

Ms. STEIGER. Again, Mr. Chairman, what we suggest is a cure, if you like, for advertising that competes with commercial, is not totally related. It doesn't get to the letters for solicitation, the letters for opinion making, which is why we point out to you the education category as being as broad as it is. And I think that is a very different thing from being able to tell you there are *x* number of advertising pieces that shouldn't be in the stream.

Chairman FORD. But the problem is, if you look at the pie you gave us, the really big chunk of that pie all the way around here is third-class bulk nonprofit.

So if we are going to find a way to preserve the truly needy, we must try to get a definition. In the future, we are going to have to find a way to cut some of the fluff that causes us all the problems. And your test isn't going to get to that.

What do we do? Did the Commission, looking at this, think about how we get into third-class nonprofit mail and more clearly define its purposes?

You mentioned in your discussion about advertising that you were following the Internal Revenue Code. Unfortunately, the existence of a 501 C 3 tax exemption for an organization has almost always automatically qualified it for third-class nonprofit permit.

Is it fair to assume that the Commission and Senator Stevens' committee and mine might be able to pursue something more realistic and effective when dealing with preferred postal rates than just following the Internal Revenue Code?

Why should somebody at the Internal Revenue be determining whether or not somebody is eligible to use the mails at a subsidized rate?

Ms. STEIGER. When this class was started in 1951, I believe, the old Post Office Department, in defining education, started to follow a very narrow definition.

I would add, by the way, that of that big piece of the pie, which is third-class nonprofit, the giant there is education, about 32 percent.

The old Post Office tried to draft a definition that was very narrow. Education was an institution with a teacher-pupil relationship and that is who qualified.

Before Senator Stevens' time, the Senate overruled and insisted on a broadening of that eligibility. That was the beginning of this becoming such a large umbrella.

Others have suggested that there ought to be some limitation according to the nature of the entity. If you are a mutual benefit entity, you should not be allowed to be nonprofit. That, if you look at the categories, would not have much of a monetary effect because the fraternal, political, and other categories are a relatively small piece of that pie.

But others have struggled to some degree with this limitation. We, clearly, are just not educational experts. We don't pretend to know the world and are rather helpless to do more than to point out to you the size of this and to suggest that someone who does understand that world look at it and see if the subsidy is serving the purposes that the Congress intended it to.

We wish we could be more helpful, but we just don't have that kind of expertise to know. We, certainly, would work in the drafting of anything with you if we could be helpful.

Chairman FORD. Well, at the risk of, in an election year, getting a whole lot of people mad at me, I have been persuaded in discussions Senator Stevens and I have had that we have to try to clean up this class in some way so that we don't have to be confronted with the egregious abuses and the angry people who feel themselves victimized by receiving subsidized mail that they don't want.

On the other side, you have our very strong feeling that in no way do we want to be censoring anybody. There is a big difference between censorship and an open invitation to the cash register.

We would welcome the expertise of your staff in trying to come up with a defensible, rational definition for this class that would be something a little better than the way 330-some thousand people now get that permit, without at the same time getting the Boy Scouts and all the churches and everybody else all upset about burdensome regulations.

Since everybody has gone into the computer business, the problem is even greater. For an entirely different reason, we recently had to look at the incoming and outgoing mail of the Congress. In 1973, the House of Representatives received about 14 million pieces of mail.

I thought that was big until I saw 1985. We received 225 million pieces of mail. So, there are an awful lot of groups out there using an awful lot of mail for their purposes, to convince us that we ought to do something or not do something.

A lot of our colleagues get a little upset when they receive thousands of pieces of mail either here or directed into their States or districts being subsidized under this class. So, it draws fire and makes it each year a little bit more difficult, for those of us who have consistently fought to maintain the appropriation, to get the appropriation.

I feel about this as I do about the Guaranteed Student Loan Program. As you know, I have been with it since its beginning, and its credibility is essential to its continuance.

And we have reached a stage where the credibility of some of these uses of preferred classes of mail is placing the whole family of worthy purposes in jeopardy. And perhaps the most responsible thing we can do is try to find a way to clean it up before they spoil the whole barrel of apples for us.

Mr. Taylor.

Representative TAYLOR. Thank you, Mr. Chairman.

I would like to have some information.

In your studies have you found a very, very real need for the subsidy in small in-county newspapers in order to survive?

Ms. STEIGER. Good morning, Mr. Taylor.

We have reams of testimony to that. And that the thrust of the testimony from the small newspaper people who testified is that they are the only folk who will provide local news. NBC isn't going to tell you about the Boy Scouts' paper drive, it isn't going to tell you of your community. And they stress service to the community and various officials, county officials, and others came before us to say they need this service.

They also stress that there is rarely any alternative way of delivering the newspaper in their opinion other than through the U.S. mails. Many of these areas are far flung. It is hard to find youngsters who are interested in a once-a-week part-time job. And so it goes.

Yes; they feel they are very dependent upon it. And the impact on subscription of $2 or $3 a year should the rates fail for the in-county would be substantial and would decrease, I believe we have testimony from one gentleman his volume, probably, by half. They felt very strongly about the part of the small newspaper in the fabric of society, and we have much testimony to that end.

We also have other testimony suggesting that no paper would really go out of business if that amount of subsidy were lost.

Representative TAYLOR. I have had three close in my district in the last 3 months, and two more say they are going to because of the rates that have been thrust upon them.

I think we all recognize, those of us who live in rural areas, that rural America has a real problem. We have got a lot of businesses boarded up, front doors are boarded shut, the advertisers are not there as they were. This puts more strain on these small papers trying to survive.

Once that community loses its newspaper, its lost its identity. Some of these papers have been in existence, two of them that I

mentioned have been in existence over a 100 years. Those communities lost a part of their life when they lost their newspapers, and they don't have the local dissemination of news that is so important to the community. And it concerns me, it really does.

How much increase have we had in the second-class rate for in-county newspapers during the past 2 years?

Ms. STEIGER. I will get that in just a second.

It is difficult, as you know, because all we can tell you is an average piece. It depends: Is it presorted? How far down is it presorted? What is its weight?

That is a most complicated class. I will get it, if not now, I will furnish it for the record. They have had a tough year. You had the rural rate increase that went into effect in March 1986.

You then had the appropriations cut at the end of last session, 70 million, added to the other, Gramm-Rudman. And so there have been three rate increases in very rapid succession.

One of the things, by the way, all preferred rate mailers told us they were very concerned about was some sort of stability. What they find almost impossible is when they get hit with a rate increase they haven't been able to plan for.

This is what happened I think in the case of many of the second-class nonprofit newspapers, they just got hit. Wham! Wham! Wham!

Representative TAYLOR. The rapidity of it, I agree with you. It is kind of like cutting the dog's tail off an inch at a time. I think that is what we have been doing with the rural newspapers. They have some problems.

I can see in my district, I don't think it is a lot different than a lot of other rural districts, the agricultural communities are in trouble, small towns are in trouble. And, among other things, they are going to lose their newspapers.

I think this is something we need to direct our attention to.

Am I correct we have two rates? You have a newspaper in-county, but the adjacent county has a little higher rate than the in-county rate, is that true?

I had one newspaper publisher call me, he is right in the corner of the county and his papers go out on the rural routes and circle back and forth through three counties. Now he has been told that he has got to separate that mail and to be able to say which county it is going into.

Well, he doesn't know that route—it may criss-cross the county 10 times. He can't figure out which county they live in.

I think we are giving them responsibility far beyond what they can do if they are going to attend to their business.

Ms. STEIGER. My guess is also he is facing elimination of limited circulation.

Representative TAYLOR. Well, I thank you, Janet. I do have a concern for these rural papers. I think the problem is very real.

I see a lot of good, small town newspapers that have been institutions in these communities and served the communities and served them well are just not going to be able to survive any longer unless we can do something to give them some relief.

Thank you.

Ms. STEIGER. Thank you, Mr. Taylor.

Chairman FORD. You can see part of the dilemma sitting between rural Alaska and the Ozark Mountains in resolving this kind of an issue. I would observe to the gentleman from Missouri that, if somebody made a count, I suspect they would find more editorials decrying Federal subsidies in general in those publications than any in any other publication other than the Wall Street Journal.

When I talk to them about that they point out to me the business side of their operation is separate from the editorial content of the newspaper. They are not responsible.

Ms. STEIGER. Mr. Chairman, if I may finish the question, the staff tells me in-county rates have risen about 20 percent since January 1, 1986.

Representative TAYLOR. January 1, this year?

Ms. STEIGER. That is right.

Representative TAYLOR. Are there any more contemplated?

Ms. STEIGER. I don't know what the Congress is going to be doing this year. We certainly won't be seeing a rate case in front of us in my opinion this year.

Chairman FORD. The Appropriations Committee is even now marking up the appropriation for revenue forgone. We have to wait and see what they do.

I would like to ask one question with respect to the fourth-class library rate. Your report finds that 44 percent of the pieces sent under the subsidy are actually mailed by publishers. Then you recommend that that portion of the subsidy be terminated.

Now, how do you respond to the argument that we will hear from the librarians that the nature of the business is such that the extra cost will simply be passed on to the libraries. It will not be borne in the end by the publishers; it will be added on to the bills they send the libraries.

As a matter of fact, it is the practice of most of the publishers to compute the postage or other transportation costs as a separate add-on to whatever they sell the publication for.

How do we eliminate the subsidy to the publishers without having it in the end really eliminate the subsidy to the libraries?

Ms. STEIGER. I think first of all this is consistent with our other recommendations. You have a commercial use of a subsidy here. You have a commercial user using the subsidy. It just seems to us the original intentions of the library rate as laid out in the history were that it was to facilitate the transport of library materials between libraries.

In 1976, I believe, if you look at the figure 1 chart, fourth-class library, you see a tremendous peak shortly after 1976.

This is when publishers were allowed into the mail stream. It was clear they did move into it rather heavily. They still are, as I say, 44 percent, 60 percent of the weight.

Then you see as rates climb a bit that line goes down. We think that is because maybe other rates are more attractive, UPS, whatever, at certain weights.

Would it be passed onto the individual library, the cost of sending the book? That may well be. But at best it is now an indirect subsidy to the libraries, very indirect at that.

If you want to subsidize a library, it seems to me best to do it directly rather than through subsidizing publishers' transportation of books. It is a philosophical point.

Chairman FORD. I hope your historian has pointed out to you that the change in law in 1976 was a Ford amendment. [Laughter.]

Ms. STEIGER. I confess. But there is another reason why at that point, it might be coming down. That is the competitive modes of transportation more and more. That is the difficulty.

The mail actually is used by book publishers only in those instances where there are very few items being sent to a particular place. When they are sending textbooks, for example, to a school, it goes by freight. Even with the subsidized rate, it doesn't pay them to try to mail that sort of thing.

But if it is a specific book requested by 20,000 different schools or libraries around the country, there are packages going in 20,000 different directions and mail becomes the only practical way to get it there.

Ms. STEIGER. Mr. Chairman, there is a table on the percent of library pieces. It is by sender and recipient, table 1 in the back of the report. It would indicate publishers send only 6 percent of the volume sent out by publishers to libraries.

Here we go again. Publishers are sending 30 percent to educational organizations. Of course, some of them are libraries in the sense of university libraries. But the question of who is using it and where it is going, you see that 44 percent of it is going to publishers. That is just a question to us that seems needed to be raised.

Senator STEVENS. If I might, a minute.

Chairman FORD. Surely.

Senator STEVENS. Isn't this sort of like the tax bill, Janet? You people spend your time trying to be fair, administering a maze of conflicting statutes, just like the tax law, when really what people are asking us are two things. Why do we get all this mail, and they call it junk mail, at our houses?

And second, why does the postal rate continue to go up and up?

It seems to me there is one basic reason: We have a lot more people using the mail in a competitive way that do not pay the full rates, with those people who are paying full rates, with those people who are not paying full rates.

I don't care what it is, all of these organizations are trying to get an advantage, whether it is fund raising or advertising or membership solicitation, and they are using the mails in extraordinary ways compared to what was originally intended as far as the statutes you administer.

I wonder whether we should not just back off and look at the mail rate and see if it is possible to get a rate that is cheaper for everybody, without having so many preference rates.

Did you look at the concept of just saying let us do away with all preferences, to start with, and then see who is eligible to get back in this category?

I don't think anyone in the country would disagree with having a subsidy for the blind and saying it should be paid for by the tax-

payers. I disagree with the administration on that. It just should be paid for by the taxpayer.

Second, are there any others that are so situated that they ought to have some special assistance? And after that, then, ask you to divide up the costs of mail on the basis of what it actually costs the Postal Service to handle a particular class, and say that those who use that rate, are going to pay full rates for that service.

Could you do that?

Ms. STEIGER. Of course. I would like to back up a minute. I think your concern is well placed. I just read a startling figure. That is the mail is now about 140 billion pieces a year. There are Postal Service estimates, I understand, that indicate they expect the volume to increase anywhere between 170 and 180 billion pieces a year by 1990. That is only 4 years away. So we are in a growing volume area.

We did not look at the question of eliminating folk really from the subsidy or, in fact, the subsidy itself in those terms. We just do not know.

You are the policymakers who have to make those determinations. The regulatory body cannot do them. It is probably not appropriate even that we should do it. That is unfortunately one of the awful things you have to wrestle with, these kinds of major policy choices.

Can we tell you what the mail costs? Yes, sir. The idea behind the subclass, in fact, is to do just that, cost out all the attributable costs of any kind of mail and then figure a proportionate markup for institutional costs on that mail. That is what we do. That is what we are pretty good at.

Senator STEVENS. You just said even under your proposal, a portion of the reduced cost would be borne by the other users of the postal system, isn't that correct?

Ms. STEIGER. To the extent that there would be some increase in the institutional cost pool so to speak, I suppose that is right.

Senator STEVENS. I don't blame you, that was my suggestion too. I was just thinking about this and wondering why we couldn't use the concept of just backing off and looking at the system and saying, you know, educational people ought to pay the cost of the educational mailing.

If they are going to get a lower rate, then they would be dealing with a different type of service and it would be mail that would not be delivered in the same timeframe, it would be mail that would be handled differently and not forwarded. Other things that would justify a lower rate other than just a subsidy from the taxpayer to the other users.

Ms. STEIGER. That is an interesting point. And it was raised before us, actually, by a gentleman out of Chicago named Mr. James Pehta. It is in our appendices. He particularly homes in on the fact that only something like 70.6 percent of nonprofit mail is presorted. Compared to the regular class presort, that is a fairly small figure.

He points out that if indeed the nonprofits presort and band it together, he has some interesting ideas as how it could be done, to take advantage of the presort discounts, this in and of itself would lower the subsidy.

Senator STEVENS. And lower their rates too, to a certain extent.

Ms. STEIGER. Yes; saving both for them and the Treasury. It is very interesting. We don't know how close he is to right. We certainly haven't canvassed the nonprofit mailers, but it is an interesting concept that perhaps they themselves are not doing enough to take advantage of the lower rates that do exist, toward work sharing, presortation by the mailer. And that this in turn has a positive effect if it were done, on the subsidy. It is an interesting subsidy.

Senator STEVENS. I just had a meeting with the Rules Committee not long ago where we pointed out to them how the cost of congressional mail could be reduced by the simple fact of us taking out a nonprofit mailing permit for each member of the Senate and presorting. We would actually be getting a lower rate than we are now using with the frank, and they don't understand that.

The people who want to cut off the use of the frank—it could be done even using the frank if we could approach it in the right way. The cost to the Postal Service would be lower and, therefore, our costs would lower. Maybe we would have less criticism of the fact that we are using the mails.

It does seem to me we ought to back off in terms of this whole thing and take a look at the Postal Service from the point of view of almost 200 billion pieces and find out who ought to be paying what for the service involved, rather than find ways to excuse some people from paying what even under the present system, we believe to be their fair share.

That is what we are really doing, isn't it? We are today trying to find some way to give people preferred rates.

Ms. STEIGER. That is what the subsidy is.

Senator STEVENS. Rather than allocate service in a manner so that the rates would in fact be lower.

Ms. STEIGER. The focus today is on subsidized service, yes.

Ms. Guiton.

Ms. GUITON. I would like to say we did start at one point as you suggested, at the suggestion of Commissioner Folson, we pulled back and said, what if we were to eliminate the entire subsidy?

We found ourselves saying, OK, we start from base one. We pull everything out and then look at those organizations that should have some type of subsidy. I think the same thing happened there that will continue to happen in this discussion. That is we can all find very worthy organizations that should in fact be considered. So what you have is our best effort at really trying to be fair across the board.

But in our own way of thinking, I don't believe it is exhausted. I think if we had more time to look at the problem, we would have come up with a number of other scenarios. We were working within the timeframe we had, but also finding there were many other things underneath the surface as we studied the problem more in depth. We certainly hope some of this will be done as you continue to study the problem as well.

Senator STEVENS. I may sound like an ogre, but it seems to me that nonprofits, for instance, by definition you are dealing with people who are handling tax-free money. Once they are handling tax-free money, it has been used for a justification for saying they

also should have a subsidy from the taxpayers in terms of their mailing costs.

Since they are handling tax-free money to start with, why should the taxpayers give them a second subsidy in the use of their money?

I think we are going to have to back off if we are going to whip this deficit, the redundant subsidy involved in some of the postal rates to me raises some of the same questions we face on the floor, very difficult questions in terms of the tax bill. Who is entitled to a preference ought to be the question. Once you make that determination, then I think we ought to figure out how can we get them service that someone else pays for that costs the same.

If we did, I think we might have a different Postal Service and it might be able to expand into 190 billion pieces without constantly knocking on our doors for more subsidies which the taxpayers now refuse to pay.

I think that is the main thing we ought to keep in mind is the taxpayer revolution out there about paying someone else's subsidy. I hear it even in my small State, so you all must be hearing it from the major population areas of why we should pay for so much of this stuff that comes to our houses that we don't want.

I think the answer is to make the people who are mailing it pay the full rate and then they might not be mailing the stuff people don't want.

Ms. GUITON. I think you are right. I think right now we are pleased that that is not our charge.

Ms. STEIGER. I think ours was a little more limited study.

Senator STEVENS. Well, you won't be busy between now and February, will you?

Chairman FORD. Back to the issue we discussed a few moments ago.

In the Code under Rates and Fees, we set out a number of guides to you when receiving requests for recommended decision on rates. We have in the statute enumerated nine categories.

No. 9 says, "Such other factors as the Commission deems appropriate."

That seems to be the nub of the argument between lawyers on whether you have the power now to use that clause to accomplish your recommendation with respect to more adequately setting the rates and costs for preferred mail.

So far as I know, this hasn't been litigated. Why is it that the Commission accepts one side of the argument without the other side of the argument?

Ms. STEIGER. As you say, rightly so, it hasn't been litigated, Mr. Chairman. I think it is 410. Is it 6? 3627, sorry.

It says: "The Governors shall change." That is the language. It doesn't put us in the picture.

Frankly, we haven't looked at it. As I said my guess is the Postal Service will tell you that there has to be legislative change. We haven't analyzed that from a legal point of view. We would be happy to do so if you want us to.

Chairman FORD. We would like you to follow up on that and tell us what your counsel feels is justification for the present practice in light of that language.

Ms. STEIGER. Sure. We will present a legal memorandum on the recalculation, on our authority or lack thereof. You shall have it fairly soon.

Chairman FORD. Thank you.

Mr. Chairman?

Senator STEVENS. No; The only other question I would ask is whether you had any testimony from other media. I sort of feel that to a great extent the Postal Service is one of the advertising media of the country. And did the other media come in, air or television or other media, and ask about the subsidy for this medium?

Ms. STEIGER. We heard from National Public Radio and Television who use the nonprofit permit for fundraising.

Senator STEVENS. But the commercial television and radio, did they make any representation?

Ms. STEIGER. No; did they?

Mr. CRUTCHER. I don't think so.

Ms. STEIGER. No; we did hear from—and that is one of the reasons for the recommendation—private vendors of insurance, of travel, who say this is clearly anticompetitive use of the nonprofit rate.

And in general, people in the business community and various sources private citizens, simply said what you have just said and what the administration has said, there should be no subsidy for nonprofits and any subsidy is anticompetitive, per se.

Now, the media in particular, other than newspapers who were users of this in-county, did not appear before us.

Senator STEVENS. I didn't say they shouldn't have different rates. I think we can give them different rates based on different service.

Ms. STEIGER. That is a very interesting concept.

Senator STEVENS. If they chose that service they would, in fact, have a lower cost. But to give them the same service at a lower rate is a subsidized rate from somebody, the taxpayers or other users.

I think we ought to look to it as I am trying to get the Congress to look at our service and see what kind of service we should ask for. When we send out postal patron mail, it is not forwarded.

If it is, in fact, sorted by ZIP code and we take a nonprofit mailing certificate, as I said, we would actually be paying less than we are now.

It does seem to me that the question of the kind of service ought to be determinative of the rate that a user pays. Not the status of the user, because then we get into the question of definition, you know, again. Should the pro and antiabortion forces have a subsidy from other rate users or from the taxpayers to raise money to keep the abortion fight on the front pages?

I think that we ought to say if you are involved in that kind of an effort, you should use this class of service to get a lower rate. You don't want to pay first class, you don't want to have forwarding, you don't want overnight delivery, you know.

If you get into a special class of service, and that class of service pays for itself, who cares? It is not subsidized by anybody.

Then I think actually the use of the Postal Service would expand rather than contract.

Ms. STEIGER. I would be fascinated to hear the Postal Service—you are really talking about designing a new class of mail, delivery standards——

Senator STEVENS. Yes.

Ms. STEIGER. I would be fascinated to hear a Postal Service response to that. Is there something that could be designed that would indeed have costs lower than costs of third class, let's say—I don't know what they would say.

Senator STEVENS. Size of envelopes, the weight, the whole approach I think could be defined so it could be handled totally by mechanization and could be really swept into the new systems where costs are much lower in terms of handling than present ones.

These people now take the nonprofit things, dump them in the nearest post office box. They are picked up, they have to be handled, they are all different sizes, they won't go into the machines, you have to devise new, I won't get into the multiline reader with you, Mr. Chairman. You have to devise new concepts, you understand, to deal with them.

That is where the cost is driving us in terms of the machinery we need in the Postal Service. We are letting the users drive the machinery rather than technology define the users. I really think we ought to back off and look at this thing and see if we couldn't whip this in another way.

I have been convinced we ought to have the users pay it. But the more I listen to you, the more you are telling us really, "Gentlemen, we have looked at this. What you really want us to do is define the problem so you are able to make the decisions within categories."

You are saying define educational. You are saying give us a new statute. Isn't that what you are telling us?

Ms. STEIGER. We are telling you we can get rid of it by assigning cost coverages.

Senator STEVENS. That would take a new statute.

Ms. STEIGER. Yes, sir.

Chairman FORD. I observe that my limit of courage is exhausted about this time of the year in taking on the people and the issues you are suggesting. It is something I would be glad to visit, just visit, after November.

Senator STEVENS. I did this 7 years ago in this room when we started talking about the retirement bill. It may take 7 years, but we will have to get there.

Chairman FORD. That will get you past your next election. [Laughter.]

Senator STEVENS. Well, I had two elections.

Chairman FORD. In 1968, one of the things in an otherwise unattractive package of postal reorganization ideas that was attractive to me was the idea of having somebody other than the Congress setting postal rate, because legislating rates was every bit as neatly done as legislating the tax bills around here—with the same kind of pressures and same kind of wonderful thought going into it, depending on who could scream the loudest and how well they could indicate their need.

I think one approach we might consider is to expand the powers of the Commission so that it might make even more accurate decisions.

At least we now have a forum—the Commission—where people have an opportunity to be heard, and there is reasonable due process afforded to people, which they might not have if we handed the Commission's function over to the Postmaster General or somebody else.

I have one question. Mr. Crutcher, I have read with great interest over the years your plan for a privatized Postal Service. In your analysis for the future privatized Postal Service, where does the preferred class of mail fall? If we were to accept the recommendation of the Commission, we wouldn't want to be subsidizing anybody who was in the mail business for a profit.

How would we distribute these preferred classes, assuming some or all of them would continue to exist?

Mr. CRUTCHER. Under the suggestions I have made, they would be handled exactly as they are now. Suggestion for privatizing or subcontracting out parts of the operational system of the Postal Service, especially experimenting with contracting, Mr. Chairman.

Chairman FORD. Suppose you contracted out the city of Detroit, which wouldn't be too hard to do.

Mr. CRUTCHER. Mr. Chairman, I never have even contemplated anything like that. [Laughter.]

Senator STEVENS. Anchorage, maybe. [Laughter.]

Mr. CRUTCHER. On the other hand, I do believe that in the city of Detroit, perhaps Anchorage, as well, that private contractors might do a better job of mail sortation, mail handling, that sort of thing. I think we need to experiment to see how we might save some money in the Postal Service by doing that sort of contracting.

Chairman FORD. How do we reimburse them for giving this preferred rate to the mail they are handling?

Mr. CRUTCHER. You don't reimburse them directly at all. You handle it exactly the same way you do now, I should think.

Chairman FORD. In other words, they would be expected to set their rates at a level that would accommodate the noneconomic——

Mr. CRUTCHER. Well, we now contract out about $2.4 billion of mail sortation. That has nothing to do with the decisions that the Congress makes and that we make on preferred rates.

So, this would be simply an extension of what we are already doing in the Postal Service.

Chairman FORD. Mr. Gilman.

Representative GILMAN. Thank you, Mr. Chairman.

Did the Postal Rate Commission consider any compromise position besides the ultimate solution of tossing all of this out?

Is there any fallback position suggested?

Ms. STEIGER. Well, I will certainly let—obviously, whoever wants to comment can comment.

We considered just about everything under the sun, Mr. Gilman.

Representative GILMAN. Is that included in your report?

Ms. STEIGER. Yes; there are a variety of things and options in the report.

Representative GILMAN. There are some other options?

Ms. STEIGER. The main option that we recommend is ending revenue foregone by establishing a subclass system which would allow us to set a cost coverage. The nonprofits would not be unduly harmed by this, and it would mean, of course, that the spreading burden, we would spread the burden of institutional costs.

We do not abolish the preferred classes of mail. That was way beyond our charge. We simply suggest that one could abolish the Treasury portion of the subsidy by establishing a subclass and allowing for setting of cost coverage. So, we don't abolish these classes.

Representative GILMAN. Did you recommend any, put any preference on the alternatives as to what you thought would be acceptable?

Ms. STEIGER. We recommended that the current subsidies be recalculated to take into account the lower attributable costs of the subclass with the resulting savings to the Treasury. And then, further, we established the subclass. Those are our major recommendations. We did not——

Henry, are there any others you can think of? I am not sure I understand the question.

Mr. FOLSOM. Well, I don't think we should dwell entirely on the subclass or the change in methodology of calculating the rate.

We also have recommended that advertising and second class be covered as regular rate, not subsidized. We also recommend that advertising in third class be causally related, is that not right?

So, there are other recommendations we made throughout. You can take any one of those alternatives or none of them, or you can combine all of them. I don't believe any of them are mutually exclusive.

Representative GILMAN. Thank you.

Thank you, Mr. Chairman.

Chairman FORD. Thank you. Did anyone else on the Commission wish to make a statement or add anything to the record?

Let me close my part of it by simply saying again how grateful I am that you undertook this very serious project and did it so promptly. It is unusual in this town when you ask somebody to do something by a given time that we don't have to extend it and extend it and extend it.

There is really no great secret to the fact that the Senator and I were wrestling with some of these problems last year during reconciliation. We used the time-honored method of avoiding the moment of truth by referring the whole mess to you to study it for awhile. That got the problem off of our backs for a short time. I am afraid today you have brought it right back to us, so we can't escape for very long.

We will look forward to working with the Commission and with your excellent staff, who, I must say, Senator, have been very good, very forthcoming in responding to requests of our committee and our subcommittees for information about how the rate system works.

They have been invaluable in assisting our staff and members of the committee in trying to respond to questions that are raised from time to time by aggrieved mailers about how you arrive at your solutions in rate cases.

I do appreciate the fact that you have a very difficult job. I just wish that the other board that we created at the same time you were created was pursuing its purpose with the same sort of zeal and commitment that you people have demonstrated.

Senator Stevens.

Senator STEVENS. Thank you very much for coming over and making this a joint hearing. I think perhaps some of the questions that have been stimulated in at least my mind by your recommendations may indicate to others here that perhaps your recommendations aren't that far out, after all.

I think we will have to respond in some way to the recommendations you have made that the current system just has no constraints upon the abuse of the rate subsidies that are available in my judgment.

We had a meeting, for instance, with some of the what I would call more traditional charitable nonprofit organizations, such as the Red Cross and others, and they indicate that their contribution base is going down. In my mind it is going down because there are so many other entities like them that have entered the scene. But that is a difference of opinion.

I do believe that you have given us a basis to try and fix the current system. You have raised in my mind a serious question as to whether or not we should not go at it from the point of view of trying to totally replace the system of determining rates for classes of use.

And I shall pursue that in the future, perhaps using the advantage that my good friend who faces election every 2 years mentioned that the constitutional framers gave us the breathing time of not facing elections immediately.

But there is an advantage to that, and I do admit it, and I understand my good friend's comment.

But I do thank you all very much and would welcome your comments. I repeat the same thing Chairman Ford said. I know that members of this side want to ask questions concerning your report and we will forward them to you.

Ms. STEIGER. Chairman Ford, Chairman Stevens, we thank you so much for the opportunity to appear this morning.

Of course, our staff and the commissioners stand ready to answer any questions. As people get into this with 75 or 80 charts and tables, of course, there are going to be questions. That is what we are here for.

We will be delighted to respond and respond rapidly.

Thank you, very much, sir.

Senator STEVENS. Thank you.

The joint committee will now adjourn.

[Whereupon, the joint committee adjourned at 12:01 p.m.]

ADDITIONAL MATERIAL SUBMITTED FOR THE RECORD

STATEMENT ON REVENUE FOREGONE BY REP. ROBERT GARCIA

CHAIRMAN FORD AND CHAIRMAN STEVENS, I THANK BOTH OF YOU FOR HOLDING THIS JOINT HEARING ON THE RECOMMENDATIONS OF THE POSTAL RATE COMMISSION ON THEIR STUDY OF NONPROFIT AND OTHER SUBSIDIZED POSTAL RATES. I HAVE BEEN LOOKING FORWARD TO THE COMMISSION'S REPORT.

THROUGHOUT MY EIGHT YEAR TERM AS A MEMBER OF CONGRESS AND A MEMBER OF THE COMMITTEE ON POST OFFICE AND CIVIL SERVICE, I HAVE BEEN IN SUPPORT OF LOWER POSTAL RATES FOR QUALIFYING NONPROFIT ORGANIZATIONS. I HOPE THAT TODAY WE ESTABLISH AT LEAST A CONSENSUS THAT THERE MUST BE SOME SYSTEM THAT WOULD ALLOW FOR A PREFERRED MAIL RATES FOR LEGITIMATE NONPROFIT ORGANIZATIONS THAT RELY ON REDUCED POSTAL RATES.

AS WE ALL KNOW, NOWADAYS, WE IN CONGRESS ARE FORCED TO LIMIT GOVERNMENT SPENDING, AND MANY OF OUR DOMESTIC PROGRAMS HAVE ALREADY FACED BUDGET CUTBACKS. AS A RESULT, OUR NATION HAS BECOME MORE DEPENDENT ON THE NONPROFIT ORGANIZATIONS TO MEET OUR NATIONAL GOALS. MANY OF THESE ORGANIZATIONS PROVIDE AID AND SUPPORT FOR THE AMERICA'S POOR, HANDICAPPED, AND THE DISADVANTAGED; MANY SERVE AS THE PRINCIPAL SOURCES OF INFORMATION FOR MINORITY GROUPS ON ISSUES IMPACTING THEIR COMMUNITIES; MANY SERVE OUR COUNTRY'S LABOR UNIONS AS

CLEARINGHOUSES OF INFORMATION ON ISSUES IMPACTING THE UNIONS IN OUR NATION.

UNLESS THERE IS A WAY TO ENSURE PREFERRED MAIL RATE SYSTEM FOR THESE NONPROFIT ORGANIZATIONS, WE WOULD DO OUR NATION A GREAT DISSERVICE BECAUSE THESE ORGANIZATIONS PLAY AN IMPORTANT PART IN MEETING OUR NATION'S GOALS. OUR SOCIETY IS AN INFORMATIONAL SOCIETY, AND OUR NATION HAS BECOME GREATLY DEPENDENT ON EFFICIENT FLOW OF INFORMATION. THAT EFFICIENCY WOULD BE GREATLY HINDERED WHEN WE MOVE TO REDUCE OR TO ELIMINATE PREFERRED MAIL TREATMENT FOR NONPROFIT ORGANIZATIONS. KEEPING OUR PUBLIC WELL-INFORMED IS ONE OF THE GREAT ASPECTS OF DEMOCRACY. BUT, IN EFFECT, WHILE TRYING TO SET AN EXAMPLE OF DEMOCRACY FOR REST OF THE WORLD, WE WOULD BE RESTRICTING FREE FLOW OF INFORMATION TO THE PUBLIC.

I AGREE THAT ANY ABUSES OF THE PREFERRED RATE SYSTEM MUST BE ELIMINATED, AND I APPRECIATE THAT THE COMMISSION'S STUDY WILL PLAY A SIGNIFICANT ROLE IN THAT PROCESS.

I LOOK FORWARD TO WHAT THE COMMISSION HAS TO SAY TODAY.